THE DICKENSON GROUP OF COMPANIES

ANNUAL REPORTS 1977


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The Dickenson Group of Companies strives to create wealth for the North American economy by seeking, developing and producing essential and valuable minerals. Two mines in the Red Lake area of Ontario produce gold. A British Columbia mine produces silver, lead and zinc. Financial interests are held in the oil and gas industry. Uranium is a principal target of the Group with a major exploration and development programme underway in the United States in the State of New Mexico.

DICKENSON MINES

ROBIN RED LAKE MINES
(Dickenson Mines Subsidiary)

KAM-KOTIA MINES

AS A GROUP from inception to December 31, 1977 have produced mineral wealth as follows:

2,061,138	ounces of GOLD
6,867,944	ounces of SILVER
163,076,704	pounds of COPPER
177,356,096	pounds of ZINC
64,368,925	pounds of LEAD

DIVIDENDS TOTAL		Per Share
DICKENSON MINES	$11,359,800	$3.30
KAM-KOTIA MINES	$ 2,748,365	$0.645
ROBIN RED LAKE MINES	$ 3,557,000	$1.19

THE DICKENSON GROUP OF COMPANIES

The 1977 Annual Report contains the reports of
DICKENSON MINES LIMITED
ROBIN RED LAKE MINES LIMITED
KAM-KOTIA MINES LIMITED
Producers of Gold, Silver, Zinc and Lead. Reports their involvement in the Energy field of Oil, Gas and Uranium. Contains reports on associated Companies: New Cinch Uranium Ltd., Silvana Mines Inc. Dickenson and Kam-Kotia are listed on the Toronto Stock Exchange. New Cinch and Silvana are listed on the Vancouver Stock Exchange.

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THE DICKENSON GROUP OF COMPANIES

REPORT TO SHAREHOLDERS

We are pleased to report generally improved results for a year of otherwise difficult business and economic conditions both in Canada and elsewhere in the world.

The accompanying financial statements and review of activities set out in considerable detail the operations of Dickenson Mines Limited, Robin Red Lake Mines Limited, Kam-Kotia Mines Limited and other interests and participations of the Group.

Financial results reflect improvement for all three producing mining operations.

DICKENSON MINES reports consolidated net income for the year ended December 31, 1977, of $816,000, equal to 25 cents per share. This profit is after allowing for $75,000 of extraordinary losses of effectively controlled companies and represents a major gain from net income of $84,000, or 3 cents a share, reported for the previous fiscal year.

The 40 per cent rise in revenue to $9,650,000 from $6,863,000 in 1976 was the result of an increase in the number of ounces produced and the price realized for gold bullion.

ROBIN RED LAKE MINES financial statements show net income up at $689,000, equal to 23 cents per share, compared with $110,000 or 4 cents per share for 1976. The Robin results, of course, are consolidated in the Dickenson statement.

KAM-KOTIA MINES reports a consolidated net income during the year of $289,000, equal to 7 cents per share, after extraordinary items, compared with a loss in 1976 of $105,000.

It has been realized for a considerable time that a different organizational structure was necessary to provide the financing capability, facilities, and administration necessary to develop the silver-lead-zinc property near New Denver, B.C., owned by Silmonac Mines Limited (now Silvana Mines Inc.) so that its full potential may be more closely realized in future operations.

Silvana became a subsidiary of Kam-Kotia on completion of a series of transactions as outlined later on in this report.

On the basis of an independent appraisal of the assets sold to Silvana and consideration of other factors pertinent to the transactions described, the 1,450,000 shares issued by Silvana were assigned a conservative value of $1.00 each. They are recorded in the accounts of the three companies at this value. Since the transactions were consummated, shares of Silvana have been quoted on, and traded through, the Vancouver Stock Exchange at prices ranging from $1.40 to $2.05 each.

The consolidated financial statements for Kam-Kotia include the affairs of its subsidiaries, Carnegie and Silvana. After the Silvana reorganization the value ascribed to the shares issued to Kam-Kotia and Carnegie of $1.00 per share for 1,450,000 Silvana shares was reduced to reflect the book value of $157,000 for the assets prior to the reorganization.

A MILESTONE

Although the operations of these mines is reported in more detail under "Review of Operations and Interests," one highlight which should be noted here is the pouring at Dickenson Mines of the 3,000th gold

bar on September 20, 1977. The record of 30 years of continuous production of gold is testimony to the durability of the mine. At no point could the mine look beyond five years of reserves, yet Dickenson and Robin have produced 2,031,788 ounces which, at recent prices for gold would represent a value of approximately $380,000,000.

The actual revenue generated for Canada was some $109,000,000, certainly a significant contribution to Red Lake, the province and the national economy.

DICKENSON-ROBIN AMALGAMATION

Accompanying this annual report is the notice and related information circular of an Annual and General Meeting of the Shareholders at which shareholders will have an opportunity to consider, and, if thought fit, approve a plan for amalgamation of Dickenson Mines Limited and Robin Red Lake Mines Limited.

The plan provides that Dickenson shareholders receive one share in the amalgamated company for each share already held, that Robin shareholders receive one share for each 2.5 shares held, and cancellation of the 2,322,588 shares (77.4 per cent interest) of Robin owned by Dickenson. The amalgamated company, to be named DICKENSON MINES LIMITED, will have 3,826,964 shares outstanding of 7.5 million shares authorized when the amalgamation is completed.

Following the amalgamation, the shareholders of Dickenson and Robin will become shareholders of a stronger and more efficient corporation. The shareholders of Robin would become holders of shares listed on the Toronto Stock Exchange.

The amalgamation should enhance the corporation's capacity to secure substantial financing for such projects as the planned deepening of the Dickenson No. 2 internal shaft, continuation of its association with Conventures Ltd., and other opportunities as they might arise.

It is desirable that a natural resource company be of sufficient size, financial and management strength to achieve growth under today's difficult economic and business conditions.

OUTLOOK

The outlook for the Dickenson-Robin mining operation is dependent mainly on the world price for gold. Production of gold in the early months of the current year has averaged about 5,000 ounces per month.

The United States treasury plan to sell gold from the U.S. reserve has been partially responsible for

Pouring the 3,000th Bar

temporarily unsettling world gold markets. Currency turmoil and trade confusion continues internationally. The U.S. action in selling treasury gold appears illogical, adding to the uncertainty underlying the function of the U.S. dollar as a medium of exchange in international trade.

Central banks of other countries now are in a position to purchase gold on the open market. Several countries have already revalued their gold reserves on a basis close to world prices, instead of the former "official" and much lower level.

Economic conditions generally continue to be difficult and with the exception of the few instances of precious metals, uranium, tungsten and molybdenum, world mineral markets are unsettled.

CORPORATE POLICY

Your management's policy continues to emphasize the investment in the precious metals and energy resources fields.

In conformity with your company's policy to broaden its interests into the energy resources field, there has been increased participation with Conventures Ltd., as outlined in last year's Annual Report. Dickenson Mines Limited and Robin Red Lake Mines Limited have agreed to collectively provide $450,000 in each of 1978 and 1979 to Conventures' exploration and development programs for which Dickenson Mines and Robin Red Lake will receive an additional 300,000 shares in Conventures and be entitled to deduct the expenditures so incurred from income subject to Canadian Income Tax.

Other oil and gas industry participations are reaching interesting stages where activities by other companies, particularly major oil organizations, could have an impact on the value of the Group's holdings. The Beaufort Sea in Canada's Arctic promises to be an area of intense activity this year, and also considerable interest is focusing on southwestern Ontario holdings.

The Dickenson Group has become very active in uranium exploration through several projects in New Mexico, U.S.A. These are long range programs which are providing encouraging results. Exploration on property held by an associated company, New Cinch Uranium Ltd. (N.P.L.), has already indicated a substantial area of uranium mineralization meriting detailed attention.

The uranium properties in Ontario of another associated company, Amalgamated Rare Earth Mines Limited, are being subjected to economic studies by Esso Minerals Canada, a division of Imperial Oil Ltd.

Other companies in the Group, notably those with gold prospects, continue to be re-examined in the light of changing economic conditions.

This organization of resource companies is in a position to achieve growth from an income base in gold mining, an expanding silver-lead-zinc mine, investments in oil and gas, and projects in the exploration stage which might soon merit accelerated development.

APPRECIATION AND ACKNOWLEDGMENTS

The Boards of Directors of each of the Companies in the Dickenson Group again wish to extend their appreciation to all the employees and staff for their loyalty, co-operation and efforts throughout the year to increase the efficiency of the Companies' operations.

Submitted on Behalf of the Boards of

DICKENSON MINES LIMITED

ROBIN RED LAKE MINES LIMITED

KAM-KOTIA MINES LIMITED

A. W. WHITE, President and Director

H. VANCE WHITE, Vice-President and Director

May 31st, 1978

Exploration Drilling in New Mexico, U.S.A.

REVIEW OF OPERATIONS AND INTERESTS

DICKENSON MINES LIMITED
ROBIN RED LAKE MINES LIMITED

GOLD MINING — RED LAKE AREA

Increased production and higher prices received for gold were the key influences in the operations of the Dickenson and Robin Red Lake gold mines.

Gold Markets

With world economic and financial problems persisting, gold markets in 1977 showed a major improvement from the sharp drops of the previous year. This strength in gold was linked closely to the decline in value of the U.S. dollar in world financial markets. An additional beneficial influence on the Company's bullion revenue was the decline in the Canadian dollar in relation to the U.S. dollar.

The average price received for the 60,018 ounces of gold produced from the two properties was $160.34 Cdn. per ounce, and compares with an average price of $123.32 Cdn. per ounce received in 1976. The 1977 average approximates that of 1975.

It will be recalled that the world market for gold staggered badly in 1976, dropping to a low of $103.05 U.S. per ounce at the end of August. This depressed state was considered to have been caused by the initiation of regular auctions by the International Monetary Fund and offerings by the U.S. Treasury. In 1977, the market absorbed the gold auctions and into the early months of 1978 was again climbing strongly to approach a high of around $190.00 U.S. per ounce. The 1978 advance was halted and prices dropped back when the U.S. Treasury again announced plans to auction gold — this time on a regular basis of 300,000 ounces monthly for at least six months. However, the setback appears to have been brief and gold has resumed its upward trend as the auctions find buyers appearing for large quantities.

The Dickenson Group is confident that gold is irreplaceable in world affairs and that events are moving in directions which will one day see gold again recognized to be important to international trade and finance with attractive and stable prices prevailing.

Production

The 60,018 ounces produced in 1977 was the highest level of output since 1974. The Dickenson workings supplied 32,081 ounces and Robin provided 27,937 ounces. Tonnage milled increased 10 per cent to 129,184 from 117,459 with the daily average 354 tons, up from 321 tons. Average grade was reduced to 0.499 ounce per ton, from 0.509 ounce with recovery increasing to 93.13 per cent from 92.76 per cent.

Ore Reserves

Proven ore reserves at Dickenson were down slightly at 259,087 tons at the end of 1977, compared with 276,582 tons at the end of 1976. Average grade for gold was higher at 0.496 ounce per ton, compared with 0.475 ounce per ton. At Robin, reserves were 76,535 tons grading 0.688 ounce per ton down from 80,800 tons averaging 0.745 ounce per ton.

Allowing for production from both properties of 129,171 tons in 1977 it can be calculated that 103,435 tons of new ore were developed over the year.

The report by independent engineering consultants, Derry, Michener and Booth estimates ore reserves as of January 1, 1978 in each of the Dickenson mine and the Robin Red Lake mine are as tabulated below:

	Dickenson Mine		Robin Red Lake Mine		Total	
	Tons	Grade oz./ton	Tons	Grade oz./ton	Tons	Grade oz./ton
Proven	210,611	0.492	73,735	0.697	284,346	0.546
Potential — 0.3 oz./t. cut-off	222,400	0.492±	41,300	0.697±	263,700	0.54±
— 0.20 oz./t. cut-off	250,000	0.25±	—	—	250,000	0.25±

Potential reserves increased substantially due to succcessful development of areas in the "F" Zone and footwall of the "ESC" Zone within Dickenson Mines and on the eastward extension of the "ESC" Zone on the 22nd level of Robin Red Lake Mines. Potential reserves are now estimated at 513,700 tons, an increase of 163,700 tons over the 1976 figures. No changes have been made for the potential indicated below the 30th level.

Development

A major underground development project has been planned at a capital cost estimated at $2.5 million. This project will deepen the No. 2 internal shaft by at least 600 feet to open up four new levels on the Dickenson property. This would deepen the workings to about 5,500 feet. The shaft deepening program is designed to examine and develop ore occurrences found in drilling below the 30th level. It will also allow for the development of exploration targets.

At the same time, an underground drilling program from an 800-foot drive on the 30th level is testing a theory that a rich zone of the adjoining Campbell mine may dip into Dickenson ground at depth. This work is incomplete and to date results are inconclusive.

These capital development projects are of major importance to the future of the two properties and the integration of their exploration, development and mining, will facilitate any financing arrangements necessary for their completion.

KAM-KOTIA MINES LIMITED
(Dickenson 47.0%)

This investment and exploration firm in the Dickenson Group has several projects of importance underway. Its principal mining activity is Silvana Mines Inc. (formerly Silmonac Mines Limited) which operates a successful silver-lead-zinc mine at New Denver, British Columbia.

Kam-Kotia also receives dividends from Dickenson Mines and has a significant investment portfolio. The company is in an excellent liquid position with consolidated working capital and investments totalling in excess of $10 million, the equivalent of about $2.25 per share. Working capital alone, at the end of 1977, had increased to $2.4 million from $1.9 million at the end of 1976.

Kam-Kotia, acting on its own behalf and also in conjunction with Dickenson and Robin has become increasingly more involved in oil and gas interests.

Of potential importance is the 1.8 per cent gross overriding royalty on some 213,000 acres in the Beaufort Sea. These permits are held by the Hunt interests and farmed out to Dome Petroleum which is the major driving force in exploration in the Beaufort. Dome has achieved considerable success with three wildcat wells encountering natural gas.

The 1978 drilling season in the Beaufort will be viewed with extreme interest as one of the first wells proposed to be drilled by Dome will be located approximately one to two miles east of the acreage in which Kam-Kotia has its interest. This drilling season has been extended by the Federal government and promises to be the most active yet.

As major oil and gas companies become increasingly aware of the energy attractiveness of Ontario, a further project of importance is the participation with Dickenson and Robin in a 12.6 per cent interest in some 100,000 acres in southern Ontario. This acreage has been farmed out to Pacific Petroleums Ltd. who have completed seismic work which has outlined a number of drill targets. It is anticipated that Pacific will drill 3 to 6 wells on this acreage during 1978.

A 25 per cent interest, held jointly with Dickenson and Robin, in a further 25,000 acres in southern Ontario has been farmed out to Seibens Oil & Gas Ltd., Petromark Minerals Ltd. et al. Seismic work on this acreage should commence in mid-1978.

In Alberta, Kam-Kotia still holds varying interests in different oil and gas acreages of which the most interesting perhaps is its 85 per cent interest in approximately 9,600 acres in the Grand Prairie area. It is anticipated that seismic work will be completed, and a well drilled on this acreage within the next 12 months

SILVANA MINES INC.
(Kam-Kotia 44.4%)
(Carnegie 22.7%)

Silvana results from a reorganization and new financing of the former Silmonac Mines undertaken to facilitate an extensive program of underground development and exploration on the silver-lead-zinc producing mine in British Columbia.

Through consolidation of share capital on a one-new-for-four-old basis, purchase of the mine plant and equipment from Kam-Kotia for shares, Kam-Kotia surrendering its lease agreement rights for shares, and purchase of a mill from Carnegie Mining Corporation for shares, Silvana now has complete control of the mining operation. A line of bank credit of $750,000 and sale of 450,000 shares and 375,000 warrants which brought in $845,000 provide the necessary financing for the underground program now underway. The warrants are exercisable to February 9, 1979, and if exercised would provide a further $750,000.

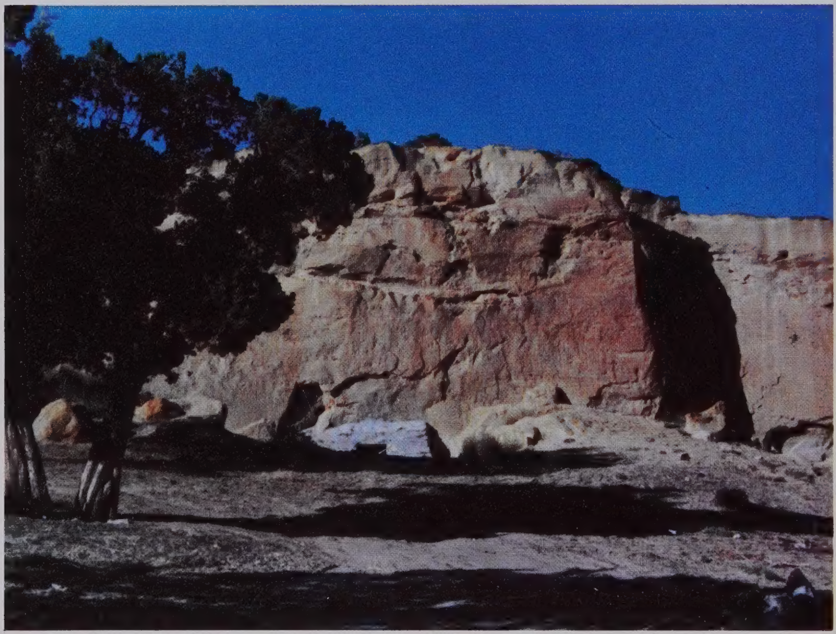
The program is expected to be completed by early 1979 and includes rehabilitation of the 4,000 foot adit level, the erection of mining plant at the portal together with driving an ore and waste pass system to the upper levels of the mine.

For the past few years, production rates have been controlled by the accessibility and availability of ore reserves and the production capacity of the mine plant, which also controlled the amount of exploration and development work that could be done. The development plan should greatly increase mining production capacity, provide access for more rapid exploration and development and ultimately provide production at the mill's capacity of 40,000 to 45,000 tons annually.

Production in 1977 was 17,499 tons with an average grade of 19.34 ounces silver per ton, 7.41 per cent lead and 6.13 per cent zinc. Silvana has operated the mine since August 1, 1977, when the agreement with Kam-Kotia was concluded.

URANIUM EXPLORATION — CANADA

The Dickenson Group emphasizes precious metals and energy resources. As part of expanding programs in energy fields, exploration for uranium has become an important undertaking with considerable success achieved in a relatively short period.



Ojo Alamo Formation, San Juan Basin, New Mexico

AMALGAMATED RARE EARTH MINES LIMITED
(Kam-Kotia 11.1%)

This is the most advanced project. Since 1973, extensive exploration has been conducted on the Company's properties in eastern Ontario under a working option Joint Venture with Imperial Oil Limited.

Since the agreement between the Company and Imperial Oil Limited was signed in 1973, Esso Minerals Canada, a division of Imperial Oil Limited, has been exploring the Company's three properties in Monmouth, Cardiff and Cavendish Townships in the Bancroft area of Ontario by means of radiometric, geophysical and geological surveying and also by diamond drilling.

The management of Amalgamated Rare Earth Mines Limited has been informed by Esso Minerals that preliminary economic studies have been made on their uranium interests in the Bancroft area of Ontario. The studies being carried out to date for Esso Minerals by Mining Corporation of Canada include only the Company's Cavendish and the C-Zone of the Blue Rock properties. The C-Zone of the Blue Rock property was opened in 1955/56 by a vertical three-compartment shaft to 440 feet with levels of 100, (adit level), 250, and 400 feet. Extensive lateral work and underground drilling were completed on all three levels at that time.

Preliminary indications from the studies infer a viable and economic mining operation on revenues based on $50 per pound U_3O_8.

Under terms of the Company's agreement with Imperial Oil, the Company would start to share as to 50 per cent in production profits from the property after an excess of revenue over direct costs and overheads has been accomplished for a period of six consecutive months.

URANIUM EXPLORATION — UNTED STATES
NEW CINCH URANIUM LIMITED
(Dickenson 14.6%)
(Kam-Kotia 21.5%)

This company is the key organization in a large scale exploration project in New Mexico. New Cinch has staked or has under option some 28,000 acres and has been exploring this ground with considerable success.

Several areas of uranium mineralization have been indicated by drilling. In one area, the southernmost portion of what is known as the Mesa Portales property, drills have already outlined appreciable quantities of Uranium Oxide and part of the continuing exploration is planned to test the suitability of in-place solution mining, a method used in similar sandtsone formations in the United States.

New Mexico is the major uranium-producing area of the United States with the famous Grants belt on the fringe of the San Juan Basin. New Cinch's project is to the north of the Grants belt within the Basin.

The United States is the largest single market for uranium in the world. Demand is strong from U.S. utilities anxious to assure supplies for their nuclear energy power generating plants.

New Cinch also has an important Canadian uranium interest — a 50 per cent holding in Gardex Mines Ltd., which has, by way of a letter of intent with Cenex Limited, a 2 per cent gross overriding royalty interest on production of uranium oxide on a property to be brought into production in the Uranium City area of Saskatchewan together with 350,000 shares of Cenex. Cenex is awaiting approval of provincial authorities and final financing to bring the property into production. Contracts have been signed with two U.S. utilities for sale of up to 740,000 pounds of uranium oxide at prices of about U.S. $45 a pound.

DRK RESOURCES

DRK Resources is a Joint Venture representing Dickenson, Robin and Kam-Kotia for uranium exploration in the United States. In New Mexico, this group has some 40,000 acres in the San Juan Basin contiguous to property owned by New Cinch. Drilling on this property should commence in mid-1978.

In Utah DRK holds 10,000 acres of mineral lease on which preliminary uranium exploration has commenced.

May 31st, 1978

DICKENSON MINES LIMITED

DIRECTORS	A. W. WHITE .... Orangeville, Ont.
	C. R. DIEBOLD .... Buffalo, N.Y.
	F. A FELL .... Toronto, Ont.
	F. R. GRAHAM .... Montreal, P.Q.
	D. I. JOHNSTON .... Galt, Ont.
	H. V. WHITE .... Toronto, Ont.
	G. H. SCOTT .... Willowdale, Ont.
OFFICERS	ARTHUR W. WHITE .... President
	CHARLES R. DIEBOLD .... Vice-President
	H. V. WHITE .... Vice-President
	H. RODNEY HEARD .... Secretary-Treasurer
	JAMES GEDDES .... Assistant Secretary
HEAD OFFICE	390 Bay Street, Suite 1402 .... Toronto, Ont. Telephone 361-0402
MINE MANAGER	Robert P. Tapper, P.Eng.
MINE OFFICE	Balmertown, Ontario
AUDITORS	Gardner, McDonald & Co. .... Toronto, Ont.
BANKERS	Canadian Imperial Bank of Commerce .... Toronto, Ont. The Bank of Nova Scotia .... Toronto and Balmertown, Ont.
REGISTRAR AND TRANSFER AGENTS	National Trust Company Limited .... Toronto, Ont. Bank of New York .... New York City, N.Y. The First Jersey National Bank .... Jersey City, N.J.
STOCK LISTED	Toronto Stock Exchange — symbol DML
ANNUAL MEETING	Friday, June 30, 1978 at 10:30 a.m. (Toronto Time) Upper Canada Room, Royal York Hotel, Toronto, Ontario

SUMMARY

5 Year Record Consolidated with Robin Red Lake Mines

		1977	1976	1975	1974	1973
Bullion Production	*$	9,650	$ 6,863	$ 9,587	$ 10,935	$ 7,199
Depreciation	*	552	326	223	173	126
Other Income	*	253	218	253	274	102
Minority Interest	*	150	25	236	354	188
Net Profit before extraordinary item	*	891	124	2,038	3,079	1,590
Net Profit after extraordinary item	*	816	84	2,056	1,611	1,830
Net Profit per share		27¢	4¢	62¢	93¢	48¢
Net Profit per share after extraordinary items		25¢	3¢	63¢	49¢	56¢
Dividends paid per share		5¢	5¢	35¢	35¢	15¢
Shares Issued				3,556,000		
Tons of ore milled	*	129	117	126	151	149
Grade (ozs/ton) Millheads		0.499	0.509	0.508	0.491	0.521
Ozs. of gold produced		60,019	55,488	59,631	68,094	71,951
Ore Reserves (Tons)	*	336	357	393	437	445
Grade (ozs./ton)		0.540	0.536	0.538	0.532	0.555
Employees		242	230	235	223	226
Shareholders		4,000	4,200	4,400	4,400	4,400
Share Price Range — High		5.88	6.50	10.38	12.00	4.60
— Low		3.55	2.40	4.45	4.35	1.90

* In thousands.

ASSETS

	1977	1976
Current		
Cash and short-term deposits	$ 273,000	$ 142,000
Bullion on hand and in transit at net realizable value	853,000	416,000
Accounts receivable	161,000	113,000
Marketable securities, at cost (quoted market value $729,000; 1976 — $834,000)	712,000	818,000
Income and mining taxes recoverable	334,000	511,000
Prepaid expenses	28,000	24,000
	2,361,000	2,024,000
Long-Term Investments (note 1(b) and 3)	4,034,000	3,910,000
Oil and Gas Interests (note 4)	1,583,000	973,000
Fixed, at cost		
Buildings, machinery and equipment	9,437,000	8,723,000
Less: Accumulated depreciation (note 1(d))	6,995,000	6,476,000
	2,442,000	2,247,000
Mining claims	476,000	459,000
Townsite lots	136,000	136,000
	3,054,000	2,842,000
Other, at cost		
Interest in and expenditures on outside mining properties (note 1(c))	511,000	472,000
Interest in and expenditures on outside oil and gas properties (note 1(c))	88,000	49,000
Stores and supplies	1,053,000	1,146,000
Deposits	6,000	6,000
Deferred charges	304,000	290,000
	1,962,000	1,963,000
	$12,994,000	$11,712,000

Consolidated Balance Sheet

December 31, 1977

LIABILITIES

	1977	1976
Current		
Bank indebtedness	$ 277,000	$ 264,000
Accounts payable	998,000	943,000
Income and mining taxes payable (note 1(e))	376,000	—
	1,651,000	1,207,000
Deferred Income Taxes (note 1(e))	538,000	415,000
Minority Interest in Subsidiary Company	469,000	358,000

SHAREHOLDERS' EQUITY

	1977	1976
Capital Stock		
Authorized 3,750,000 shares of $1 each		
Issued 3,556,000 shares	3,556,000	3,556,000
Contributed Surplus	1,550,000	1,550,000
Retained Earnings	6,276,000	5,623,000
	11,382,000	10,729,000
Deduct: Company's share of Kam-Kotia Mines Limited holdings of 596,709 shares (570,609 in 1976) of Dickenson Mines Limited at a cost to Kam-Kotia of $2,154,000 ($2,038,000 in 1976)	1,046,000	997,000
	10,336,000	9,732,000
	$12,994,000	$11,712,000

Approved by the Board:

A. W. WHITE, Director

F. A. FELL, Director

See notes to financial statements.

Consolidated Statement of Income

For the year ended December 31, 1977

	1977	1976
Revenue		
Bullion production	$ 9,650,000	$ 6,863,000
Expense		
Mining	4,879,000	4,188,000
Milling	1,238,000	1,047,000
Mine management, office and general	1,242,000	1,152,000
Head office administration and general	444,000	396,000
Marketing	53,000	45,000
	7,856,000	6,828,000
Operating Income Before Undernoted Items	1,794,000	35,000
Depreciation (note 1(d))	552,000	326,000
Outside exploration written off (note 1(c))	28,000	87,000
	580,000	413,000
Income (Loss) From Mining Operations	1,214,000	(378,000)
Investment and Other Income		
Dividends, interest and net results of security transactions	253,000	218,000
Share of gains (losses) of effectively controlled companies	115,000	(37,000)
	368,000	181,000
Income (Loss) Before Taxes, Minority Interest and Extraordinary Items	1,582,000	(197,000)
Income and Mining Taxes		
Income taxes (recovery) — current	288,000	(335,000)
— deferred (note 1(e))	123,000	2,000
Mining taxes (recovery)	130,000	(13,000)
	541,000	(346,000)
Income Before Minority Interest and Extraordinary Items	1,041,000	149,000
Minority Interest	150,000	25,000
Income Before Extraordinary Items	891,000	124,000
Share of extraordinary losses of effectively controlled companies	75,000	40,000
Net Income for the Year	$ 816,000	$ 84,000
Earnings per share:		
Before extraordinary items	$ 0.27	$ 0.04
After extraordinary items	0.25	0.03

See notes to financial statements.

Consolidated Statement of Retained Earnings

For the year ended December 31, 1977

	1977	1976
Balance at Beginning of the Year		
As previously reported	$ 5,640,000	$ 5,702,000
Adjustment resulting from change in accounting practice of Kam-Kotia Mines Limited (note 10)	17,000	—
As restated	5,623,000	5,702,000
Net income for the year	816,000	84,000
	6,439,000	5,786,000
Dividend paid	163,000	163,000
Balance at End of the Year	$ 6,276,000	$ 5,623,000

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1977

	1977	1976
Source of Funds		
Funds provided from operations (note 8)	$ 1,580,000	$ 553,000
Decrease in stores and supplies	93,000	—
	1,673,000	553,000
Application of Funds		
Dividends paid	163,000	163,000
Dividends paid by subsidiary to minority shareholders	33,000	68,000
Purchase of fixed assets	764,000	1,522,000
Increase in stores and supplies	—	136,000
Investment in and advances to other companies	700,000	356,000
Exploration expenditures on outside mining, gas and oil properties (net)	106,000	14,000
Increase in deferred charges	14,000	167,000
	1,780,000	2,426,000
Decrease in Funds During the Year	107,000	1,873,000
Funds at Beginning of Year	817,000	2,690,000
Funds at End of the Year	$ 710,000	$ 817,000
Represented by working capital:		
Current assets	$ 2,361,000	$ 2,024,000
Less: Current liabilities	1,651,000	1,207,000
	$ 710,000	$ 817,000

See notes to financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 1977

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies adopted by the company are in accordance with accounting practices followed by the mining industry in Canada.

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the company and all subsidiaries. Investments in effectively controlled companies are accounted for by the equity method.

(b) Long-Term Investments

The investment in shares of effectively controlled companies is carried at cost adjusted by the company's share of their earnings or losses since effective control was acquired. Other long-term investments are carried at cost with an allowance for estimated decline in value of investments below the stated cost.

(c) Exploration and Development Expenditures

Interest in and expenditure on outside mining, gas and oil properties is deferred in the accounts to be amortized when production from them is attained or written off when disposition of them occurs.

(d) Depreciation and Depletion

Land, buildings, machinery and equipment are carried at cost. When such assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts. Any gain or loss on retirements is reflected in the earnings for the year. Depreciation is recorded in the accounts on the straight-line method at the rate of 15% per annum on buildings, machinery and equipment.

The company has never followed the practice of providing for depletion of its mining claims.

(e) Income Taxes

The company and its subsidiaries follow the tax allocation method of accounting whereby the provision for income taxes is based upon income reported in the accounts after providing for allowances permissible under Federal and Provincial taxation statutes. Any difference between these taxes and taxes currently payable for the year which arise from allowances for depreciation and exploration expenditures for income tax purposes in excess of those recorded in the accounts is reflected as Deferred Income Taxes.

2. INTEREST IN AND EXPENDITURE ON MINING PROPERTIES AND INVESTMENTS IN OTHER DEVELOPMENT MINING COMPANIES

Dickenson's interest in and expenditure on its own outside mining, oil and gas properties in the amount of $599,000 can only be realized from the future commercial success of those properties.

Dickenson's proportion of the unamortized interest in and expenditure on mining properties and investments in other development mining companies accounted for herein on the equity basis amounting to $1,656,000 can be realized only from future commercial success of those companies.

3. LONG-TERM INVESTMENTS

	1977	1976
Investments in companies accounted for by the equity method:		
Shares		
Kam-Kotia Mines Limited		
2,097,608 shares (quoted market value $2,202,000: 1976 — $1,090,000)	$2,450,000	$2,390,000
Other	838,000	918,000
	3,288,000	3,308,000
Loans and Advances, at cost	104,000	52,000
	3,392,000	3,360,000
Portfolio investments, at cost		
Listed shares (quoted market value $486,000; 1976 — $336,000)	1,999,000	1,848,000
Other shares, bonds, advances and participations	711,000	1,315,000
	2,710,000	3,163,000
	6,102,000	6,523,000
Less: Allowance for decline in value	2,068,000	2,613,000
	$4,034,000	$3,910,000

The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than that indicated by market quotations.

4. OIL AND GAS INTERESTS

Investment in Conventures Limited (note 5)

	1977	1976
378,000 shares (226,000 shares in 1976) (quoted market value $3,118,000; $700,000 in 1976)	$1,139,000	$ 673,000
Notes	300,000	300,000
Funds committed but not expended by December 31	144,000	—
	$1,583,000	$ 973,000

Interest-bearing notes issued by Conventures Limited are due December 31, 1979, and are convertible into common shares of Conventures at $3.25 each at any time up to maturity. They are secured by 15,000 shares of Alberta Natural Gas Co. Ltd.

5. CONVENTURES AGREEMENT

By agreement dated May 13, 1975, between Robin Red Lake Mines Limited, Dickenson Mines Limited and Conventures Limited, Robin and Dickenson, combined, committed to expend a total of $300,000

annually from 1975 to 1977 both inclusive to conduct programs of exploration, drilling and development of certain of Conventures' petroleum and natural gas rights and properties. Upon election, and providing they are not in default, Robin and Dickenson, combined, have options to increase their commitments for each of the calendar years 1976 and 1977 by any amounts up to $300,000, and during the calendar years 1978 and 1979 to commit to expend one-half of the amounts committed for 1976 and 1977. Expenditures committed but not incurred in any one year may be carried forward to be incurred in a future year of the term of the agreement.

Robin and Dickenson did not elect to increase their commitment for 1976, but did increase their commitment for 1977 by $300,000.

In view of their commitments to expend a total of $900,000 in 1976 and 1977, Robin and Dickenson, combined, have exercised their options under the agreement by committing, in writing, to expend $450,000 in each of 1978 and 1979.

In consideration of expenditures incurred pursuant to the agreement, Robin and Dickenson are entitled to receive one common share of Conventures for each $3.00 expended. Should Conventures, at any time on or before December 31, 1979, sell any of its shares as a result of a public offering or private placement at a price less than $3.00 per share, the new price at which shares of Conventures are to be issued to Robin and Dickenson in consideration of their expenditures pursuant to the agreement and subsequent to the date of sale of such shares by Conventures shall be equivalent to the price at which Conventures sold such shares.

The portion of the expenditures incurred by each of Robin and Dickenson is determined from time to time by mutual agreement between them.

Each of Robin and Dickenson is entitled to deduct its portion of expenditures pursuant to the agreement in the determination of its income subject to Canadian Income Tax.

By December 31, 1977, Robin and Dickenson, combined, had incurred expenditures of $1,062,000 and in consideration therefor had received 354,000 shares of Conventures.

In the event Conventures varies its capital structure, Robin and Dickenson are entitled to maintain their proportionate equity interests in Conventures on terms that are the same as, or comparable to, those pertaining to the variation in Conventures' capital structure.

6. LOAN TO OFFICER

As at December 31, 1977, there was a loan outstanding to an officer of the company in the amount of $21,000 secured by an interest-bearing real estate mortgage.

7. STATUTORY INFORMATION

Remuneration of directors and senior officers during the year ended December 31, 1977, amounted to $156,000 ($145,000 in 1976).

In addition, the company paid $189,000 during the year ended December 31, 1977, ($186,000 in 1976) to Mid-North Engineering Services Limited for management, accounting, secretarial and office services.

8. FUNDS PROVIDED FROM OPERATIONS

	1977	1976
Net income for the year	$ 816,000	$ 84,000
Charges (credits) not affecting funds		
Provision for depreciation	552,000	326,000
Outside exploration written off	28,000	87,000
Deferred income taxes	123,000	2,000
Minority interest in earnings of subsidiary	150,000	25,000
Share of losses (gains) of effectively controlled companies	(40,000)	77,000
Other	(49,000)	(48,000)
	$1,580,000	$ 553,000

9. ANTI-INFLATION LEGISLATION

The companies are subject to restraint of profit margin, prices, dividends and compensation of employees under the terms of the Anti-Inflation Act and Regulations.

10. COMPARATIVE FIGURES

As a result of a change in accounting practice of Kam-Kotia Mines Limited in 1977 which was applied retroactively, Dickenson's proportionate share of previously reported transactions of effectively controlled companies for 1976 was changed from losses of $20,000 to losses of $37,000.

AUDITORS' REPORT

To the Shareholders
Dickenson Mines Limited

We have examined the consolidated balance sheet of Dickenson Mines Limited as at December 31, 1977, and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, subject to the realization of interest in and expenditure on mining, oil and gas properties and investments in other development mining companies as explained in note 2, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 29, 1978

GARDNER, McDONALD & CO.
Chartered Accountants

REPORT OF OPERATIONS — DICKENSON & ROBIN

	DICKENSON		ROBIN	
Ore Milled	86,391	tons	42,793	tons
Recovery — Gold	32,081.892	ounces	27,937.038	ounces
— Silver	3,552.681	ounces	1,759.788	ounces
Grade of Ore Milled — Gold	0.399	ounces per ton	0.701	ounces per ton
Average Value Received — Gold	$160.34		$160.34	
Total Value Received — Gold	$5,143,870.50		$4,479,302.71	
— Silver	$17,738.61		$8,786.66	

MINING

	DICKENSON		ROBIN	
Development (Drawn Tons)	7,573		5,672	
Stopes and Stope Development (Drawn Tons)	78,805		37,121	
Total Break in Tons	76,801		40,944	
Total Tons Hoisted	86,361		42,793	
	TONS	GRADE	TONS	GRADE
Broken Ore Reserves	31,752	0.444	826	0.290

MILLING

Summary of Mill Operations with the previous year given for comparison

	1977	1976
Tons Treated (includes 12,793 tons of Robin ore in 1977 and 35,576 in 1976)	129,184	117,459
Percent Operating Time	86.09	84.05
Tons Treated Per Day	353.93	320.93
Average Value of Millheads in ounces of Gold per ton	0.499	0.509
Average Value of Milltails in ounces of Gold per ton	0.034	0.037
Recovery in ounces of Gold per ton	0.465	0.472
Percent Recovery	93.13	92.76

DEVELOPMENT

	DICKENSON	ROBIN
Crosscutting (Includes Slashing)	1,943.7′	227.3′
Drifting (Includes Slashing)	2,316.9′	1,098.5′
Raising (Includes Slashing)	1,744.2′	698.1′
Underground Diamond Drilling	40,566′	12,509′
Surface Diamond Drilling	—	—

PROVEN ORE RESERVES

Dickenson

At December 31, 1976	276,582 tons grading 0.475 ozs. gold per ton
At December 31, 1977	259,087 tons grading 0.496 ozs. gold per ton
Decrease	17,495 tons

Location of the ore reserves —75 percent between 14th and 30th levels.

Robin

At December 31, 1976	80,800 tons grading 0.745 ozs. gold per ton
At December 31, 1977	76,535 tons grading 0.688 ozs. gold per ton
Decrease	4,265 tons

Location of the ore reserves —100 percent between 15th and 26th levels.

R. P. TAPPER,
Mine Manager

ROBIN RED LAKE MINES LIMITED

DIRECTORS	A. W. WHITE .... Orangeville, Ontario
	H. V. WHITE .... Toronto, Ontario
	F. A FELL .... Toronto, Ontario
	H. R. HEARD .... Willowdale, Ontario
	J. GEDDES .... Mississauga, Ontario
	D. F. BURT .... Toronto, Ontario
	H. S. DOLSON .... Etobicoke, Ontario
OFFICERS	ARTHUR W. WHITE .... President
	H. VANCE WHITE .... Vice-President
	H. RODNEY HEARD .... Secretary
	JAMES GEDDES .... Treasurer
HEAD OFFICE	390 Bay Street, Suite 1402, Toronto, Ontario Telephone 361-0402
MINE OFFICE	Balmertown, Ontario
AUDITORS	GARDNER, McDONALD & CO., Toronto, Ontario
BANKERS	THE BANK OF NOVA SCOTIA, Toronto, Ontario
REGISTRAR AND TRANSFER AGENTS	NATIONAL TRUST COMPANY LIMITED, Toronto, Ontario
ANNUAL MEETING	Friday, June 30, 1978 at 2:00 p.m. (Toronto Time) Upper Canada Room, Royal York Hotel, Toronto, Ontario

ROBIN RED LAKE MINES LIMITED

Balance Sheet — December 31, 1977

	1977	1976
ASSETS		
Current		
Cash and short-term deposits	$ 273,000	$ 226,000
Accounts receivable	50,000	17,000
Due from parent company — Dickenson Mines Limited	792,000	145,000
Marketable securities, at cost (quoted market value $305,000; $178,000 in 1976)	298,000	173,000
Income and mining taxes recoverable	—	112,000
	1,413,000	673,000
Long-Term Investments, at cost (note 2)	125,000	255,000
Oil and Gas Interests (note 3)	787,000	487,000
Fixed, at cost (note 1(a))		
Buildings, machinery and equipment	152,000	152,000
Less: Accumulated depreciation	118,000	96,000
	34,000	56,000
Mining claims (note 4)	75,000	75,000
Townsite lots	24,000	24,000
	133,000	155,000
Other, at cost (note 1(b))		
Interest in and expenditures on outside mining properties	26,000	—
Interest in and expenditures on outside oil and gas properties	49,000	24,000
	75,000	24,000
	$ 2,533,000	$ 1,594,000
LIABILITIES		
Current		
Accounts payable	$ 52,000	$ 5,000
Income and mining taxes payable	376,000	—
	428,000	5,000
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized		
3,000,000 shares without par value		
Issued		
3,000,000 shares	825,000	825,000
Retained Earnings	1,303,000	764,000
	2,128,000	1,589,000
Deduct: 10,000 shares purchased during the year in the open market, at cost	23,000	—
	2,105,000	1,589,000
	$ 2,533,000	$ 1,594,000

Approved by the Board:

A. W. WHITE, Director
H. R. HEARD, Director

See notes to financial statements.

ROBIN RED LAKE MINES LIMITED

Statement of Income and Retained Earnings

For the year ended December 31, 1977

	1977	1976
Revenue		
Bullion production	$ 4,488,000	$ 3,030,000
Expense		
Mining	1,679,000	1,610,000
Milling	410,000	317,000
Fees and charges for the use of underground and surface facilities of parent company	513,000	427,000
Mine management, office and general	621,000	576,000
Head office administration and general	152,000	137,000
Marketing	25,000	20,000
	3,400,000	3,087,000
Operating Income (Loss) Before Undernoted Item	1,088,000	(57,000)
Depreciation of buildings, machinery and equipment (note 1(a))	22,000	23,000
Income (Loss) From Mining Operations	1,066,000	(80,000)
Investment and Other Income		
Interest and dividends	66,000	90,000
Gain on disposal of securities	7,000	4,000
	73,000	94,000
Income Before Income and Mining Taxes	1,139,000	14,000
Income taxes (recovery)	320,000	(83,000)
Mining taxes (recovery)	130,000	(13,000)
	450,000	(96,000)
Net Income for the Year	689,000	110,000
Retained Earnings at Beginning of the Year	764,000	954,000
	1,453,000	1,064,000
Dividends paid	150,000	300,000
Retained Earnings at End of the Year	$ 1,303,000	$ 764,000
Earnings per Share	$ 0.23	$ 0.04

See notes to financial statements.

Statement of Changes in Financial Position

For the year ended December 31, 1977

	1977	1976
Source of Funds		
Funds provided from operations (note 5)	$ 711,000	$ 133,000
Reclassification of long term investments (note 2)	225,000	—
Amount received for assignment of oil and gas leases	—	14,000
	936,000	147,000
Application of Funds		
Increase in oil and gas interest	300,000	181,000
Dividends paid	150,000	300,000
Increase in long term investments	95,000	100,000
Exploration expenditure on outside properties	51,000	10,000
Purchase of shares of Robin Red Lake Mines Limited	23,000	—
	619,000	591,000
Increase (Decrease) in Funds During the Year	317,000	(444,000)
Funds at Beginning of the Year	668,000	1,112,000
Funds at End of the Year	$ 985,000	$ 668,000
Represented by working capital:		
Current assets	$ 1,413,000	$ 673,000
Less: Current liabilities	428,000	5,000
	$ 985,000	$ 668,000

See notes to financial statements.

AUDITORS' REPORT

To the Shareholders
Robin Red Lake Mines Limited

We have examined the balance sheet of Robin Red Lake Mines Limited as at December 31, 1977, and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1977, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 29, 1978

GARDNER, McDONALD & CO.
Chartered Accountants

Notes to Financial Statements

For the year ended December 31, 1977

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies adopted by the company are in accordance with accounting practices followed by the mining industry in Canada.

(a) Depreciation and Depletion

Depreciation has been recorded in the accounts using the straight line method at the rate of 15% per annum.

The company has never provided for the depletion of its mining claims.

(b) Exploration and Development Expenditures

Interest in and expenditure on outside mining, oil and gas properties is deferred in the accounts to be amortized when production from them is attained or written off when disposition of them occurs.

2. LONG TERM INVESTMENTS

	1977	1976
Listed shares, at cost (quoted market value $94,000; $24,000 in 1976)	$ 88,000	$ 30,000
Other shares and participations, at cost	37,000	—
Guaranteed Investment Certificates — Sterling Trust Corp.	—	100,000
11½% subordinated notes, Sterling Trust Corp., due June 30, 1978	—	100,000
Note receivable, at cost	—	25,000
	$ 125,000	$ 255,000

In 1977, the Sterling Trust Corp. certificates and subordinated notes have been reclassified as marketable securities and the note receivable is included in accounts receivable (repaid in January, 1978).

3. OIL AND GAS INTERESTS

	1977	1976
Investment in Conventures Limited (note 7) 189,000 shares (113,000 shares in 1976) (quoted market value $1,559,000; $350,000 in 1976)	$ 565,000	$ 337,000
Notes	150,000	150,000
Funds committed but not expended by December 31	72,000	—
	$ 787,000	$ 487,000

Interest-bearing notes issued by Conventures Limited are due December 31, 1979, and are convertible into common shares of Conventures at $3.25 each at any time up to maturity. They are secured by 7,500 shares of Alberta Natural Gas Co. Ltd.

4. MINING CLAIMS AND PROPERTIES

The company's mining claims and properties were acquired in July 1945 in consideration for the issue of 1,000,000 shares. For accounting purposes, such shares were assigned a value of 7½ cents each — this being the approximate average issue price of various other shares which were issued for cash pursuant to the provision of an agreement entered into during the same month in 1945.

5. FUNDS PROVIDED FROM OPERATIONS

	1977	1976
Net income for the year	$ 689,000	$ 110,000
Charge not requiring use of funds		
Provision for depreciation	22,000	23,000
Funds provided from operations	$ 711,000	$ 133,000

6. STATISTORY INFORMATION

Remuneration of directors and senior officers during the year ended December 31, 1977 amounts to $9,000 ($9,000 in 1976).

In addition, the company paid $92,000 during the year ended December 31, 1977 ($90,000 in 1976) to Mid-North Engineering Services Limited for management, accounting, secretarial and office services.

7. CONVENTURES AGREEMENT

By agreement dated May 13, 1975, between Robin Red Lake Mines Limited, Dickenson Mines Limited and Conventures Limited, Robin and Dickenson, combined, committed to expend a total of $300,000 annually from 1975 to 1977 both inclusive to conduct programs of exploration, drilling and development of certain of Conventures' petroleum and natural gas rights and properties. Upon election, and providing they are not in default, Robin and Dickenson, combined, have options to increase their commitments for each of the calendar years 1976 to 1977 by any amounts up to $300,000, and during the calendar years 1978 and 1979 to commit to expend one-half of the amounts committed for 1976 and 1977. Expenditures committed but not incurred in any one year may be carried forward to be incurred in a future year of the term of the agreement.

Robin and Dickenson did not elect to increase their commitment for 1976, but did increase their commitment for 1977 by $300,000.

In view of their commitments to expend a total of $900,000 in 1976 and 1977, Robin and Dickenson, combined, have exercised their options under the agreement by committing, in writing, to expend $450,000 in each of 1978 and 1979.

In consideration of expenditures incurred pursuant to the agreement, Robin and Dickenson are entitled to receive one common share of Conventures for each $3.00 expended. Should Conventures, at any time on or before December 31, 1979, sell any of its shares as a result of a public offering or private placement at a price less than $3.00 per share, the new price at which shares of Conventures are to be issued to Robin and Dickenson in consideration of their expenditures pursuant to the agreement and subsequent to the date of sale of such shares by Conventures shall be equivalent to the price at which Conventures sold such shares.

The portion of the expenditures incurred by each of Robin and Dickenson is determined from time to time by mutual agreement between them.

Each of Robin and Dickenson is entitled to deduct its portion of expenditures pursuant to the agreement in the determination of its income subject to Canadian Income Tax.

By December 31, 1977, Robin and Dickenson, combined, had incurred expenditures of $1,062,000 and in consideration therefor had received 354,000 shares of Conventures, whereof Robin received 177,000 shares.

In the event Conventures varies its capital structure, Robin and Dickenson are entitled to maintain their proportionate equity interests in Conventures on terms that are the same as, or comparable to, those pertaining to the variation in Conventures' capital structure.

8. ANTI-INFLATION LEGISLATION

The company is subject to restraint of profit margins, prices, dividends and compensation of employees under the terms of the Anti-Inflation Act and Regulations.

KAM-KOTIA MINES LIMITED

DIRECTORS	A. W. WHITE .... Orangeville, Ontario
	G. W. WALKEY .... Toronto, Ontario
	D. F. BURT .... Toronto, Ontario
	J. GEDDES .... Mississauga, Ontario
	H. V. WHITE .... Toronto, Ontario
	R. A. HALET .... Toronto, Ontario
	H. I. MILLER .... Willowdale, Ontario
OFFICERS	A. W. WHITE .... President
	G. W. WALKEY .... Vice-President and General Manager
	H. V. WHITE .... Vice-President
	H. R. HEARD .... Secretary-Treasurer
NEW DENVER DIVISION	
Mine Manager	Wm. HOGG
Mine Office Address	New Denver, British Columbia
HEAD OFFICE	390 Bay Street, Suite 1402, Toronto, Ontario. Telephone 361-0402
TRANSFER AGENTS AND REGISTRAR	National Trust Company Limited, Toronto, Ontario Canadian Bank of Commerce Trust Company, New York, N.Y.
STOCK LISTED	Toronto Stock Exchange — Symbol KKL
SOLICITORS	Burt, Burt, Wolfe & Bowman, Toronto, Ontario
AUDITORS	Thorne Riddell & Co., Toronto, Ontario
BANKERS	Canadian Imperial Bank of Commerce Royal Bank of Canada
ANNUAL MEETING	Friday, June 30, 1978 at 3:30 p.m. (Toronto Time) Upper Canada Room, Royal York Hotel, Toronto, Ontario

KAM-KOTIA MINES LIMITED

(Incorporated under the laws of Ontario)

ASSETS

		1977	1976
Current Assets			
Cash and short term deposits		$ 705,000	$ 1,124,000
Marketable securities, at cost (quoted market value 1977, $1,194,000; 1976, $598,000)		1,143,000	579,000
Accounts receivable		422,000	180,000
Concentrates on hand and in transit, net (note 3)		665,000	184,000
		2,935,000	2,067,000
Investments in Mining Companies, at cost less allowance for decline in value (note 4)		4,134,000	4,498,000
Oil and Gas Interests, at cost (note 5)		328,000	281,000
Fixed Assets			
Buildings, machinery and equipment, at cost		846,000	935,000
Less accumulated depreciation		661,000	716,000
		185,000	219,000
Mining claims and properties, at cost less depletion		483,000	30,000
Land, at cost		24,000	13,000
		692,000	262,000
Other Assets			
Notes receivable		30,000	
Mortgages receivable		137,000	
Deferred development costs		35,000	
Supplies, at average cost		46,000	25,000
Other assets and mining interests		38,000	28,000
		286,000	53,000
		$ 8,375,000	$ 7,161,000

Consolidated Balance Sheet

December 31, 1977

LIABILITIES

		1977	1976
Current Liabilities			
Accounts payable and accrued liabilities		$ 555,000	$ 146,000
Taxes payable		4,000	
		559,000	146,000
Minority Interest		601,000	

SHAREHOLDERS' EQUITY

		1977	1976
Capital Stock (note 7)			
Authorized	— 5,000,000 shares without par value		
Issued	— 4,321,500 shares (1976, 4,290,000 shares)	3,961,000	3,942,000
Retained Earnings		3,254,000	3,073,000
		7,215,000	7,015,000

Approved by the Board

A. W. WHITE, Director

JAMES GEDDES, Director

	$ 8,375,000	$ 7,161,000

KAM-KOTIA MINES LIMITED

Consolidated Statement of Income

Year ended December 31, 1977

	1977	1976
Mining		
Revenue		
Metal recovery, gross value	$ 3,386,000	$ 2,017,000
Transportation and treatment costs	1,077,000	768,000
	2,309,000	1,249,000
Expenses		
Exploration and development	560,000	364,000
Mining	479,000	398,000
Milling	350,000	226,000
Mine management, office and general property	232,000	195,000
	1,621,000	1,183,000
Operating income before undernoted items	688,000	66,000
Depreciation and depletion	11,000	64,000
Mine lease costs	199,000	
	210,000	64,000
Income from mining operations	478,000	2,000
Head office, administration and general	316,000	179,000
Depreciation		13,000
	316,000	192,000
Outside exploration expenditures written off	17,000	3,000
Mining claims written off	10,000	5,000
	343,000	200,000
	135,000	(198,000)
Investment and other income		
Dividends from Dickenson Mines Limited	30,000	28,000
Other dividends, interest and royalties	156,000	152,000
Profit on sale of securities	174,000	94,000
	360,000	274,000
Income before income taxes, minority interest and extraordinary items	495,000	76,000
Income taxes of subsidiary company	4,000	
	491,000	76,000
Minority interest in net income of subsidiary companies	23,000	
Income before extraordinary items	468,000	76,000
Extraordinary items		
Gain on sale of royalty interest exchanged for shares in Silvana Mines Inc.	90,000	
Gain on sale of land, buildings and equipment — Cobalt Division	231,000	
Provision for decline in value of investments	(500,000)	
Write-off of notes receivable from Davis-Keays Mining Co. Ltd.		(196,000)
Recovery on advances to Consolidated Churchill Copper Corporation Ltd.		15,000
	(179,000)	(181,000)
Net income (loss)	$ 289,000	$ (105,000)
Earnings per share		
Income before extraordinary items	$.108	$.018
Net income (loss)	$.067	$(.024)

KAM-KOTIA MINES LIMITED

Consolidated Statement of Retained Earnings

Year ended December 31, 1977

	1977	1976
Balance at Beginning of Year		
As previously reported	$ 3,018,000	$ 3,088,000
Adjustment to the method of accounting for concentrates on hand and in transit (note 3)	55,000	90,000
As restated	3,073,000	3,178,000
Net income (loss)	289,000	(105,000)
	3,362,000	3,073,000
Dividends paid	108,000	
Balance at End of Year	$ 3,254,000	$ 3,073,000

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1977

	1977	1976
Working Capital Derived From		
Operations (note 9)	$ 363,000	$ 72,000
Proceeds from sale of investments in mining companies	196,000	169,000
Proceeds on sale of land, buildings and equipment — Cobalt Division, less mortgage and notes receivable taken back	271,000	
Shares exchanged for oil and gas royalty, Beaufort Sea		125,000
Issue of shares under the stock option plan	19,000	
Working capital of subsidiary acquired, net (note 2)	225,000	
Other items		38,000
	1,074,000	404,000
Working Capital Applied To		
Increase in investment in mining companies	168,000	401,000
Exploration expenditures on oil and gas interests and mining properties	105,000	108,000
Additions to fixed assets	215,000	82,000
Oil and gas royalty obtained for shares, including other expenses		140,000
Reclassification of advances to Consolidated Churchill Copper Corporation Ltd.		260,000
Dividends paid	108,000	
Other items	23,000	
	619,000	991,000
Increase (decrease) in working capital	455,000	(587,000)
Working capital at beginning of year		
As previously reported	1,866,000	2,418,000
Adjustment to the method of accounting for concentrates on hand and in transit (note 3)	55,000	90,000
As restated	1,921,000	2,508,000
Working capital at end of year	$ 2,376,000	$ 1,921,000
Represented by		
Current assets	$ 2,935,000	$ 2,067,000
Current liabilities	559,000	146,000
	$ 2,376,000	$ 1,921,000

Notes to Consolidated Financial Statements

December 31, 1977

1. ACCOUNTING POLICIES

(a) Consolidation policy

These consolidated financial statements include the accounts of the Company and all subsidiary companies including certain inactive subsidiaries. The more significant subsidiaries are:

Deebank Limited	100.0%
Silvana Mines Inc. (see notes 2 and 8)	72.3%
Carnegie Mining Corporation Limited	68.6%

The consolidated statement of income reflects mining operations at the Silvana property for all of 1977. For the first seven months the operations were conducted by Kam-Kotia under a lease agreement; for the remainder of 1977 the operations were conducted by Silvana, after it had become a subsidiary (note 2).

(b) Concentrates on hand and in transit

Shipments for which a final settlement has not been received are included as concentrates on hand and in transit and commencing in 1977 are valued at net realizable value of $941,000 (1976, $317,000) (see note 3). Payments received in advance of final settlement are deducted from concentrates on hand and in transit and amounted to $276,000 in 1977 ($133,000 in 1976).

(c) Outside exploration

Costs incurred in exploration of outside properties are charged to operations when the company relinquishes its interest in such properties.

(d) Depreciation and depletion

Depreciation of buildings, machinery and equipment for 1977 and depletion of mining claims and properties are provide on the unit of production method based on estimated ore reserves.

Depreciation for 1976 was on the straight line method at rates varying from 10% to 25% (see note 3).

Depletion was commenced in 1977 when the property was acquired through the acquisition of a subsidiary (see note 2).

2. ACQUISITION OF SUBSIDIARY

Pursuant to an agreement dated September 3, 1968 with Silmonac Mines Limited, now Silvana Mines Inc. (Silvana), Kam-Kotia Mines Limited (Kam-Kotia), on a lease basis, operated the mining property located in Slocan Mining Division, B.C., owned by Silvana. The operating agreement provided that 49% and 51% of cash flow from the operation, as defined, be paid to Silvana and Kam-Kotia, respectively.

A further agreement dated June 30, 1977 entered into by Silvana, Kam-Kotia and Carnegie Mining Corporation Limited (Carnegie), a subsidiary of Kam-Kotia, provided that:

(a) Silvana assume operation of the mining property referred to above,

(b) Kam-Kotia surrender its rights under the operating agreement in consideration of 550,000 shares of Silvana,

(c) Kam-Kotia sell cetain mine buildings, machinery and equipment owned by it to Silvana for 300,000 shares of Silvana, and

(d) Carnegie sell its mill buildings, machinery and equipment to Silvana for 600,000 shares of Silvana.

A further agreement dated June 30, 1977 entered into between Kam-Kotia and Moneta Porcupine

Mines Limited (Moneta) provided that Kam-Kotia assign to Moneta a $110,000 interest in the mortgage royalty owned by Kam-Kotia on the mining property referred to above for 150,000 shares of Silvana. Kam-Kotia valued the shares of Silvana received at $90,000.

Upon completion of these transactions, Silvana became a subsidiary of Kam-Kotia. In order that the consolidated financial statements reflect the assets sold to Silvana at their net book values as recorded in the accounts of Kam-Kotia and Carnegie at the date of sale rather than at the value assigned by Silvana to the shares issued by it for the assets, on consolidation, Silvana's recorded value of the assets has been decreased by $1,293,000. Accordingly, certain extraordinary gains, totalling $1,133,000, reported in the unaudited report to shareholders for the nine months ended September 30, 1977 have been eliminated.

Details of this acquisition which became effective August 1, 1977, and which has been accounted for by the purchase method, are as follows:

Net assets acquired at Silvana's book values		
Working capital	$ 240,000	
Buildings, machinery and equipment	900,000	
Mining claims and properties	864,000	$2,004,000
Deduct		
Minority interest in above	555,000	
Adjustment on consolidation to book value of assets exchanged for shares	1,293,000	
Purchase discrepancy attributed to mining claims and properties	(16,000)	1,832,000
		$ 172,000
Consideration given		
Cash		$ 15,000
Buildings, machinery and equipment at book value of Kam-Kotia		157,000
		$ 172,000

At December 31, 1977 Kam-Kotia owned 1,172,357 shares (53.5%) of Silvana and through its subsidiary, Carnegie, had a beneficial interest of a further 411,600 shares (18.8%) for a total interest of 72.3%

3. CHANGES IN ACCOUNTING PRACTICE

(a) Effective January 1, 1977 the company changed its method of depreciating fixed assets to the unit of production method based on estimated ore reserves from the straight line method. As a result of this change, net income for 1977 has been increased by $41,000.

(b) During 1977 the company adopted the policy of valuing concentrates on hand and in transit at net realizable value, whereas previously they were valued at average cost of production.

As a result of this change, which has been applied retroactively, net income for 1977 has been increased by $131,000 (1976 loss increased by $35,000). The cumulative effect of this change to January 1, 1976 is reflected as an increase in retained earnings at that date.

4. INVESTMENTS IN MINING COMPANIES

	1977	1976
Listed shares		
Dickenson Mines Limited		
596,709 shares (1976, 570,609), at cost (quoted market value 1977, $3,298,000; 1976, $2,425,000)	$2,154,000	$2,038,000
Davis-Keays Mining Co. Ltd.		
1,392,050 shares, at cost (quoted market value 1977, $167,000; 1976, $251,000)	3,883,000	3,883,000
Other listed shares, at cost (quoted market value 1977, $189,000; 1976, $210,000)	277,000	330,000
Other shares and advances, at cost less amounts written off	931,000	858,000
	7,245,000	7,109,000
Less allowance for decline in value	3,111,000	2,611,000
	$4,134,000	$4,498,000

The unaudited interim report to shareholders for the nine months ended September 30, 1977 contained a provision of $1,300,000 for decline in value of investment in Davis-Keays Mining Co. Ltd. Consistent with previous practice whereby the allowance for decline was based on the aggregate value of investments in mining companies, a provision of the reduced amount of $500,000 was made for 1977 to bring the allowance at December 31 to $3,111,000.

By an agreement dated September 17, 1973, the company undertook to advance sufficient funds to Consolidated Churchill Copper Corporation Ltd. (Churchill) to bring its property into production and maintain operations thereafter. Operations became uneconomical and were discontinued during 1975.

The balance of advances remaining unrecovered of $260,000 is included in other shares and advances. An equivalent amount was deposited in escrow by Churchill, with Kam-Kotia's concurrence, to cover possible royalty liabilities in respect of the Churchill operation. The Province of British Columbia has commenced legal proceedings to establish its claim to the royalty. The company believes it has a good defense to this action.

Under a settlement agreement reached in 1975, 40% of net proceeds from sales of fixed assets situated at the Churchill property are to be paid to Kam-Kotia.

5. OIL AND GAS INTERESTS

	1977	1976
Beaufort Sea	$ 140,000	$ 140,000
Enchant Area, Alberta	114,000	100,000
Grande Prairie, Alberta	34,000	27,000
Milver Project, Ontario	25,000	
Operation Trent, Ontario	12,000	12,000
Other interests	3,000	2,000
	$ 328,000	$ 281,000

6. INCOME TAXES

Development expenditures of approximately $1,329,000 are available to be claimed for tax purposes in future years. This amount consists principally of expenditures made on the Davis—Keays mining property for which shares of Davis-Keays were received and are included in investments.

7. CAPITAL STOCK

Options to purchase a total of 210,000 shares at $.60 per share on or before September 30, 1981, were granted to certain employees and directors of the company and of Mid-North Engineering Services Limited which manages the affairs of the company.

During the year 31,500 shares were issued for $18,900 cash on exercise of certain of these options.

8. SUBSEQUENT EVENT

Subsequent to the year end Silvana Mines Inc. issued 450,000 treasury shares and 375,000 warrants for proceeds of $845,000. As a result, the company's effective interest in Silvana is reduced to 60%. In the event that the 375,000 warrants offered in connection with the above issue are exercised, Kam-Kotia's effective interest will be reduced to 52.5% and the subsidiary company would receive $750,000. These warrants expire on February 9, 1979.

9. WORKING CAPITAL DERIVED FROM OPERATIONS

	1977	1976
Income before extraordinary items	$ 468,000	$ 76,000
Items not requiring use of working capital		
Depreciation and depletion	11,000	77,000
Minority interest in net income of subsidiary companies	23,000	
Profit on sale of securities	(174,000)	(94,000)
Other	35,000	13,000
Working capital derived from operations	$ 363,000	$ 72,000

10. OTHER INFORMATION

Direct remuneration of the company's directors and senior officers (including the five highest paid employees as required by The Business Corporations Act) amounted to $142,000 in 1977 and $136,000 in 1976.

11. ANTI-INFLATION ACT

The company is subject to the Anti-Inflation Act which provides for the restraint of profit margins, prices, dividends and compensation.

AUDITORS' REPORT

To the Shareholders of
Kam-Kotia Mines Limited

We have examined the consolidated balance sheet of Kam-Kotia Mines Limited as at December 31, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for the change in the depreciation method as described in note 3(a) and after giving retroactive effect to the change in the method of valuing concentrates on hand and in transit as described in note 3(b), have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 22, 1978

THORNE RIDDELL & CO.
Chartered Accountants

INVESTMENT SCHEDULE

THESE COMPANIES → held shares in THESE COMPANIES ↓ at December 31, 1977	KAM-KOTIA (Including Deebank)	Percentage of Outstanding shares	DICKENSON (Including Robin)	Percentage of Outstanding shares
Abino Gold Mines Limited	645,591	13.0	1,825,199	36.7
Amalgamated Rare Earth	579,434	11.1		
Cardiff Uranium			374,286	15.6
Canadian Arrow	704,417	19.8		
Carnegie Mining ***	1,625,018*	68.6		
Cincinnati-Porcupine	2,625,779	41.9		
Craibbe-Fletcher			983,300	27.3
Davis-Keays Mining	1,392,050	38.0		
Deebank Limited	10,003*	100.0		
Dickenson Mines	596,709	16.8		
Gateford Mines			223,855	10.2
Gateway Uranium	330,000	22.4		
Glencair Mining	721,322	36.1		
Jameland Mines	1,514,995	30.3	2,025,000	40.5
Kam-Kotia Mines			2,097,608	48.5
Kenwest Mines			1,800,008*	60.0
Laddie Gold Mines	75,000	3.6	885,000	42.3
Langis Silver & Cobalt	67,500	1.7	369,450	9.7
New Cinch Uranium **	74,000*	3.2	430,000	18.7
New Kelore Mines	427,717	6.6	200,000	3.1
Nickel Rim Mines	194,000	3.2	274,000	4.6
Parvus Mines			856,125	46.3
Pidgeon Molybdenum			391,000	23.5
Pleno Mines	948,549	39.2		
Redcon Gold Mines			625,221	18.4
Robin Red Lake	6,700	.2	2,322,588*	77.4
Rowan Gold Mines			520,130*	54.8
Silvana Mines	1,172,357*	53.5	91,000	4.2
Tundra Gold Mines	15,000	.4	1,628,588	29.9

* Subsidiary company.
** At April 30, 1978 held 676,000 shares of New Cinch (21.5%).
*** Carnegie Mining holds 600,000 shares (27.4%) of Silvana Mines.